

Item

## **HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL STRATEGY 2019/20**



**To:**

Councillor Richard Johnson, Executive Councillor for Housing

**Report by:**

Julia Hovells, Assistant Head of Finance and Business Manager

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**Wards affected:**

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

### **Key Decision**

#### **1. Executive Summary**

- 1.1 The Housing Revenue Account (HRA) Medium Term Financial Strategy, considered and approved in September / October of each year is one of two long-term strategic planning documents produced each year for housing landlord services provided by Cambridge City Council.
- 1.2 The Housing Revenue Account (HRA) Medium Term Financial Strategy provides an opportunity to review the assumptions incorporated as part of the longer-term financial planning process, recommending any changes in response to new legislative requirements, variations in external economic factors and amendments to service delivery methods, allowing incorporation into budgets and financial forecasts at the earliest opportunity.

## **2. Recommendations**

### **Recommendations to be considered under Part 1 of the Housing Scrutiny Committee Agenda:**

The Executive Councillor is recommended to:

2.1 Approve the Housing Revenue Account Medium Term Financial Strategy attached, to include all proposals for change in:

- Financial assumptions as detailed in Appendix B of the document.
- 2019/20 revenue budgets and future year forecasts as introduced in Section 5, resulting from changes in financial assumptions and the financial consequences of change and the need to respond to unavoidable pressures, as introduced in Section 5, detailed in Appendix D of the document and summarised in Appendices G (1) and G (2).
- The level of fees charged to new build schemes by the Housing Development Agency, as detailed in Section 7 of the Housing Revenue Account Medium Term Financial Strategy.

2.2 Approve that delegated authority be given to the Strategic Director to be in a position to confirm that the authority can annually renew its investment partner status with Homes England.

### **Recommendations to be considered under Part 2 of the Housing Scrutiny Committee Agenda:**

The Executive Councillor is asked to recommend to Council:

2.3 To approve proposals for changes in existing housing capital budgets, as introduced in Sections 6 and 7 and detailed in Appendix E of the document, with the resulting position summarised in Appendix H, for decision at Council on 17th October 2019.

- 2.4 To approve the revised funding mix for the delivery of the Housing Capital Programme, recognising the latest assumptions for the use of Devolution Grant, Right to Buy Receipts, HRA Resources, Major Repairs Allowance and the specific use of Section 106 Funding for investment in affordable housing against the Campkin Road scheme.

### **3. Background**

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- 3.1. The Housing Revenue Account budget was set for 2019/20 as part of 2019/20 HRA Budget Setting Report, approving a net contribution to reserves in the year of £1,403,700.
- 3.2 This figure was later amended to reflect approvals to carry forward expenditure originally anticipated to be incurred in 2018/19 into 2019/20 as part of the closedown process for 2018/19. Following these changes, the reduced sum of £631,200 was anticipated to be made as a contribution to reserves for the year.
- 3.3 The HRA Medium Term Financial Strategy revisits the assumptions made as part of the HRA Budget Setting Report, and recommends both changes in these and in some areas of budgeted expenditure and income for 2019/20 and beyond.
- 3.4 The resulting financial impact for the Housing Revenue Account is explained and summarised in the attached document and appendices.
- 3.5 As part of the HRA Medium Term Financial Strategy, the previously earmarked sum of £10,000,000 per annum over the life of the plan has been retained in respect of building new homes. However, financial modelling has been undertaken to quantify the potential financial impact of accelerating delivery over the first 10 year period after the Devolution Programme is complete. The modelling has been based upon a number of basic assumptions at this stage, as there is still detailed work to be done before any future new build programme can be presented for consideration. Officers are exploring potential development sites, considering wider land availability, exploring the delivery vehicles that may be available to the authority, considering the specification to which

we may want to build in the future and considering the impact of adopting differing rent levels for new homes.

- 3.6 No decisions in respect of the future HRA new build programme are proposed as part of this report and the as this will be the subject of a detailed future report to Housing Scrutiny Committee.
- 3.7 To be in a position to be able to bid for any funding or additional borrowing capacity provided through Homes England for the provision of social, affordable or intermediate housing, the authority is required to remain an investment partner with Homes England. To remain as an investment partner, as Cambridge City Council is currently, the authority is required to confirm annually that there have been no material changes to its membership status and that there is authority in place for continued membership.
- 3.8 As part of this covering report for the HRA Medium Term Financial Strategy, delegated authority is requested to allow the Strategic Director to continue to make this annual confirmation.

## **4. Implications**

### **(a) Financial Implications**

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The financial implications associated with the HRA Medium Term Financial Strategy are incorporated as part of the document itself and the associated appendices.

### **(b) Staffing Implications**

The report recommends increased investment in the housing stock, but also incorporates additional contract overheads to accommodate the externalisation of the additional work. There is not expected to be any direct impact on staff employed by the authority as a result of the additional investment.

### **(c) Equality and Poverty Implications**

An Equalities Impact Assessment is not considered to be required as part of this report, but will be carried out as part of the 2020/21 HRA budget process and preparation of the 2020/21 HRA Budget Setting Report.

### **(d) Environmental Implications**

There are no adverse environmental implications anticipated as a result of changes proposed in this report.

### **(e) Procurement Implications**

Any procurement implications arising from the recommendations for additional investment in this report will be addressed by the relevant service areas.

### **(f) Community Safety Implications**

There are no direct community safety implications associated with the HRA Medium Term Financial Strategy.

## **5. Consultation and communication considerations**

Tenant and Leaseholder representatives are being consulted on the proposals in the HRA Medium Term Financial Strategy as part of the Housing Committee scrutiny process.

## **6. Background papers**

Background papers used in the preparation of this report:

- (a) Housing Revenue Account Mid-Year Financial Review (October 2018)
- (b) Housing Revenue Account Budget Setting Report (February 2019)

## **7. Appendices**

Appendix A Housing Revenue Account Medium Term Financial Strategy

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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